

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Charter Township of Milford Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2007**

Charter Township of Milford

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Charter Township of Milford

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Independent Auditor's Report

To the Township Board
Charter Township of Milford
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Milford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board
Charter Township of Milford

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Milford's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

February 5, 2008

Charter Township of Milford

Management's Discussion and Analysis

Overview of the Financial Statements

The Charter Township of Milford's (the "Township") 2007 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental Activities - Most of the Township's basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.

Business-type Activities - During the current year, construction was completed on a water and sewer system. The activity during the current year was minimal and there is only one customer of the system at this time. The Township's water and sewer system is treated as a business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

Charter Township of Milford

Management's Discussion and Analysis (Continued)

The Township has three types of funds:

Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Overview

The Township has total net assets of \$14.1 million, comprised of \$5.9 million from governmental activities and \$8.2 million from business-type activities. This was an increase over 2006. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 11,678	\$ 10,905	\$ 7,251	\$ 10,135	\$ 18,929	\$ 21,040
Noncurrent assets	8,041	8,591	9,144	6,884	17,185	15,475
Total assets	19,719	19,496	16,395	17,019	36,114	36,515
Liabilities						
Current liabilities	7,092	6,720	694	7,867	7,786	14,587
Long-term liabilities	6,717	7,080	7,500	8,500	14,217	15,580
Total liabilities	13,809	13,800	8,194	16,367	22,003	30,167
Net Assets						
Invested in capital assets -						
Net of related debt	1,435	1,621	1,619	652	3,054	2,273
Restricted	2,094	1,801	-	-	2,094	1,801
Unrestricted	2,381	2,274	6,582	-	8,963	2,274
Total net assets	\$ 5,910	\$ 5,696	\$ 8,201	\$ 652	\$ 14,111	\$ 6,348

Charter Township of Milford

Management's Discussion and Analysis (Continued)

The Township experienced a slight increase in the net assets of the governmental activities due to revenues exceeding expenditures. The Township had an increase in property tax and interest revenue while debt-related costs decreased, which contributed to the increase in net assets.

The Township continued construction of a water and sewer system in 2007 and eventually completed in November 2007. Approximately \$292,000 was spent on construction in progress during 2007 and \$8.7 million was capitalized as an asset.

Governmental Activities

Revenues for governmental activities totaled \$7.4 million in 2007. A total of \$5.5 million was in the form of property tax collections, an increase of \$199,000 over 2006. This increase is due to the continuing growth in the tax base. State-shared revenues continue to be of concern. While the State provided \$601,000, we are uncertain what will happen in 2008 given the State's financial difficulties. Charges for services, primarily for inspections and refuse operations, generated \$865,000.

The following table shows the changes in net assets compared to the prior year for the governmental activities:

(In thousands of dollars)

	Governmental Activities	
	2007	2006
Revenue		
Program revenue:		
Charges for services	\$ 865	\$ 970
Operating grants and contributions	11	36
General revenue:		
Property taxes	5,500	5,301
State-shared revenue	601	613
Unrestricted investment earnings	336	274
Cable revenues	86	73
Other revenue	19	12
Special item - Settlement of property tax case	-	29
Total revenue	7,418	7,308
Program Expenses		
General government	1,452	1,228
Public safety	3,949	3,849
Public works	740	909
Community and economic development	285	271
Recreation and culture	493	488
Interest on long-term debt	285	294
Total program expenses	7,204	7,039
Change in Net Assets	\$ 214	\$ 269

Charter Township of Milford

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows the changes in net assets (in thousands of dollars) compared to the prior year for the business-type activities:

	2007	2006
Revenue		
Program revenue:		
Charges for services	\$ 1	\$ -
Capital grants and contributions	7,601	561
General revenue - Unrestricted investment earnings	9	40
Total revenue	7,611	601
Program Expenses - Water and sewer	62	-
Change in Net Assets	\$ 7,549	\$ 601

The Township continued to collect special assessments related to the construction of the SEMIS Sewer during 2007.

Current Economic Events

The Township is in the process of developing a system of supplying water to certain portions of the Township. Escrow accounts are in place for maintenance and repair or replacement of subdivision wastewater systems.

The Township is in the developing stages of building a new fire station. They expect to propose for a millage for this project in November 2008 with the anticipation that the project will be completed some time during 2009.

Revenue sharing continues to be the most significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as it looks for solutions, revenue sharing continues to be under attack.

Financial Analysis of Township Funds and Budgets

The General Fund ended 2007 with a fund balance of \$1.5 million, with \$750,000 designated for specific purposes. Several factors affected operating results. Tax revenue from the police millage was under the amended budget by \$162,522, while total revenues exceeded the amended budget by \$9,394. Administration costs were under the amended budget by \$192,287, while total expenditures were under the amended budget by \$504,197 due to cost cutting throughout each department. Total revenues of \$5,071,334 exceed expenditures in the General Fund of \$4,751,333 by \$320,001 and increased fund balance by the same amount.

Charter Township of Milford

Management's Discussion and Analysis (Continued)

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 93 percent of budget. With the exception of the previously mentioned items, no major General Fund areas were significantly under or over budget.

Capital Assets and Debt

At the end of 2007, the governmental activities of the Township had approximately \$8.0 million, net of depreciation, invested in a broad range of capital assets including buildings, fire and office equipment, and vehicles. Business-type activities reported approximately \$9.0 million, net of depreciation, invested in a water and sewer system.

Debt relating to special assessment projects and the police and library buildings of \$6,695,000 is recorded as a liability in the governmental activities in the statement of net assets. Debt relating to special assessment projects for the sewer system and the water system totaling \$7.5 million is recorded as a liability in the business-type activities in the statement of net assets.

Contact Us

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, we welcome you to contact the clerk's office.

Charter Township of Milford

Statement of Net Assets December 31, 2007

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and investments (Note 3)	\$ 7,832,189	\$ 924,010	\$ 8,756,199
Receivables:			
Taxes receivable	3,491,124	-	3,491,124
Special assessments and other	60,031	6,398,978	6,459,009
Interfund balances (Note 6)	178,687	(178,687)	-
Due from other governmental units	103,188	-	103,188
Restricted assets (Note 8)	-	107,025	107,025
Prepaid expenses	12,500	-	12,500
Investment in joint venture (Note 11)	45,737	-	45,737
Operations escrow account held at Wixom	-	132,000	132,000
Capital assets (Note 5):			
Capital assets not being depreciated	7,034	348,945	355,979
Capital assets being depreciated - Net	7,988,447	8,663,478	16,651,925
Total assets	19,718,937	16,395,749	36,114,686
Liabilities			
Accounts payable	4,659	645,611	650,270
Accrued and other liabilities	70,892	48,520	119,412
Refundable deposits	344,679	-	344,679
Deferred revenue (Note 4)	6,671,390	-	6,671,390
Noncurrent liabilities (Note 7):			
Due within one year	426,709	400,000	826,709
Due in more than one year	6,290,000	7,100,000	13,390,000
Total liabilities	13,808,329	8,194,131	22,002,460
Net Assets			
Invested in capital assets - Net of related debt	1,435,481	1,619,448	3,054,929
Restricted:			
Debt service	88,008	-	88,008
Refuse collection	106,619	-	106,619
Senior citizens	137,747	-	137,747
Fire services	1,555,338	-	1,555,338
Recreation trail	176,303	-	176,303
Sears Lake	29,621	-	29,621
Unrestricted	2,381,491	6,582,170	8,963,661
Total net assets	\$ 5,910,608	\$ 8,201,618	\$ 14,112,226

Charter Township of Milford

Statement of Activities Year Ended December 31, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 1,452,735	\$ 80,080	\$ -	\$ -	\$ (1,372,655)	\$ -	\$ (1,372,655)
Public safety	3,948,807	265,394	-	-	(3,683,413)	-	(3,683,413)
Public works	740,243	447,613	-	-	(292,630)	-	(292,630)
Community and economic development	285,433	66,861	11,268	-	(207,304)	-	(207,304)
Recreation and culture	492,675	5,270	-	-	(487,405)	-	(487,405)
Interest on long-term debt	284,900	-	-	-	(284,900)	-	(284,900)
Total governmental activities	7,204,793	865,218	11,268	-	(6,328,307)	-	(6,328,307)
Business-type activities - Water and sewer	61,545	540	-	7,601,014	-	7,540,009	7,540,009
Total primary government	\$ 7,266,338	\$ 865,758	\$ 11,268	\$ 7,601,014	(6,328,307)	7,540,009	1,211,702
General revenues:							
Property taxes					5,499,522	-	5,499,522
State-shared revenues					601,278	-	601,278
Unrestricted investment earnings					335,990	9,703	345,693
Cable revenues					86,219	-	86,219
Miscellaneous					19,498	-	19,498
Total general revenues					6,542,507	9,703	6,552,210
Change in Net Assets					214,200	7,549,712	7,763,912
Net Assets - Beginning of year					5,696,408	651,906	6,348,314
Net Assets - End of year					\$ 5,910,608	\$ 8,201,618	\$ 14,112,226

Charter Township of Milford

Governmental Funds Balance Sheet December 31, 2007

	General Fund	Major Special Revenue Fund - Fire Voted Millage Operations Fund	Major Debt Service Fund - Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 3,662,086	\$ 1,984,451	\$ 383,783	\$ 1,801,869	\$ 7,832,189
Receivables:					
Taxes	2,338,063	526,675	355,868	270,518	3,491,124
Special assessments	-	-	-	60,031	60,031
Due from other funds (Note 6)	178,687	-	-	22,620	201,307
Due from other governmental units	103,188	-	-	-	103,188
Prepaid expenses	12,500	-	-	-	12,500
Total assets	<u>\$ 6,294,524</u>	<u>\$ 2,511,126</u>	<u>\$ 739,651</u>	<u>\$ 2,155,038</u>	<u>\$ 11,700,339</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 3,687	\$ 301	\$ -	\$ 671	\$ 4,659
Accrued and other liabilities	23,372	-	-	-	23,372
Due to other funds (Note 6)	22,620	-	-	-	22,620
Refundable deposits	344,679	-	-	-	344,679
Deferred revenue (Note 4)	4,431,998	955,487	645,479	680,611	6,713,575
Total liabilities	4,826,356	955,788	645,479	681,282	7,108,905
Fund Balances					
Reserved for prepaid expenses	12,500	-	-	-	12,500
Reserved for recreation trail	176,303	-	-	-	176,303
Reserved for Sears Lake	29,621	-	-	-	29,621
Unreserved, reported in:					
General Fund - Undesignated	499,744	-	-	-	499,744
General Fund - Designated (Note 14)	750,000	719,700	-	-	1,469,700
Special Revenue Funds	-	835,638	-	867,553	1,703,191
Debt Service Funds	-	-	94,172	86,651	180,823
Capital Projects Funds	-	-	-	519,552	519,552
Total fund balances	1,468,168	1,555,338	94,172	1,473,756	4,591,434
Total liabilities and fund balances	<u>\$ 6,294,524</u>	<u>\$ 2,511,126</u>	<u>\$ 739,651</u>	<u>\$ 2,155,038</u>	<u>\$ 11,700,339</u>

Charter Township of Milford

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2007

	General Fund	Major Special Revenue Fund - Fire Voted Millage Operations Fund	Major Debt Service Fund - Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 1,142,096	\$ 916,151	\$ 663,984	\$ 117,735	\$ 2,839,966
Police millage	2,812,796	-	-	-	2,812,796
Licenses and permits	218,961	-	-	-	218,961
Federal sources	11,268	-	-	-	11,268
State sources	601,278	-	-	-	601,278
Charges for services	42,996	67,600	-	54,660	165,256
Investment earnings	123,662	98,445	17,030	96,853	335,990
Rubbish billings	-	-	-	438,240	438,240
Special assessments	-	-	-	42,800	42,800
Other	118,277	-	-	48,989	167,266
Total revenue	5,071,334	1,082,196	681,014	799,277	7,633,821
Expenditures					
General government	908,043	-	-	67,890	975,933
Public safety	3,203,628	679,551	-	-	3,883,179
Public works	93,872	-	-	676,867	770,739
Community and economic development	145,121	-	-	141,074	286,195
Recreation and culture	18,829	-	-	-	18,829
Capital outlay	14,208	202,509	-	827	217,544
Other	367,632	-	-	-	367,632
Debt service	-	-	645,750	28,048	673,798
Total expenditures	4,751,333	882,060	645,750	914,706	7,193,849
Net Change in Fund Balances	320,001	200,136	35,264	(115,429)	439,972
Fund Balances - Beginning of year	1,148,167	1,355,202	58,908	1,589,185	4,151,462
Fund Balances - End of year	<u>\$ 1,468,168</u>	<u>\$ 1,555,338</u>	<u>\$ 94,172</u>	<u>\$ 1,473,756</u>	<u>\$ 4,591,434</u>

Charter Township of Milford

Governmental Funds **Reconciliation of Fund Balances of Governmental Funds to** **Net Assets of Governmental Activities** **Year Ended December 31, 2007**

Fund Balance - Total Governmental Funds	\$ 4,591,434
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	7,995,481
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Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	42,185
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Accrued interest payable on long-term debt is not recorded in the funds	(25,811)
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Compensated absences are not included as a liability of the funds	(21,709)
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	(6,716,709)
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Investment in joint venture is not recorded in the funds	<u>45,737</u>
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Net Assets of Governmental Activities	<u>\$ 5,910,608</u>
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Charter Township of Milford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 439,972
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	228,069
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Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(778,767)
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Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(42,800)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	385,000
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Interest expense is recorded when incurred in the statement of activities	3,248
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Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(21,709)
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The change in the investment in joint venture is not recorded in the governmental funds	<u>1,187</u>
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Change in Net Assets of Governmental Activities	<u>\$ 214,200</u>
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Charter Township of Milford

Proprietary Fund Statement of Net Assets December 31, 2007

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and investments (Note 3)	\$ 924,010
Current portion of special assessment receivable	604,483
Restricted assets (Note 8)	<u>107,025</u>
Total current assets	1,635,518
Noncurrent assets:	
Long-term special assessment receivable	5,794,495
Operations escrow account held at Wixom	132,000
Capital assets - Net	<u>9,012,423</u>
Total noncurrent assets	<u>14,938,918</u>
Total assets	16,574,436
Liabilities	
Current liabilities:	
Accounts payable	645,611
Current portion of long-term debt (Note 7)	400,000
Accrued and other liabilities	48,520
Due to other funds (Note 6)	<u>178,687</u>
Total current liabilities	1,272,818
Noncurrent liabilities - Long-term debt (Note 7)	<u>7,100,000</u>
Total liabilities	<u>8,372,818</u>
Net Assets	
Investment in capital assets - Net of related debt	1,619,448
Unrestricted	<u>6,582,170</u>
Total net assets	<u><u>\$ 8,201,618</u></u>

Charter Township of Milford

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2007

	Enterprise Fund - Water and Sewer
Operating Revenue - Other charges for services	\$ 540
Operating Expenses	
Billing and administrative costs	5,082
Depreciation	<u>28,975</u>
Total operating expenses	<u>34,057</u>
Operating Loss	(33,517)
Nonoperating Revenue (Expense)	
Interest income	9,703
Interest expense	<u>(27,488)</u>
Total nonoperating expense	<u>(17,785)</u>
Loss - Before capital contributions	(51,302)
Capital Contributions	
Special assessments	7,546,294
Sewer tap-in fee	<u>54,720</u>
Total capital contributions	<u>7,601,014</u>
Change in Net Assets	7,549,712
Net Assets - Beginning of year	<u>651,906</u>
Net Assets - End of year	<u><u>\$ 8,201,618</u></u>

Charter Township of Milford

Proprietary Fund Statement of Cash Flows Year Ended December 31, 2007

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 540
Payments to suppliers	(5,082)
Amounts held on deposit at Wixom	(132,000)
Internal activity - Payments to other funds	<u>145,819</u>
Net cash provided by operating activities	9,277
Cash Flows from Capital and Related Financing Activities	
Sewer tap-in fee	54,720
Special assessment collections	812,621
Purchase of capital assets including capitalized interest	(1,784,041)
Principal and interest paid on debt	<u>(1,027,488)</u>
Net cash used in capital and related financing activities	(1,944,188)
Cash Flows from Investing Activities - Interest received on investments -	
Net of capitalized interest	<u>9,703</u>
Net Decrease in Cash and Cash Equivalents	(1,925,208)
Cash and Cash Equivalents - Beginning of year	<u>2,956,243</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,031,035</u></u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 924,010
Restricted assets (Note 8)	<u>107,025</u>
Total cash and cash equivalents	<u><u>\$ 1,031,035</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2007, there were no noncash activities.

Charter Township of Milford

Fiduciary Funds Statement of Net Assets Retiree Health Care Fund and Agency Funds December 31, 2007

	Retiree Health Care Fund	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 30,332	\$ 833,137
Investments (Note 3):		
Bank investment pool	-	769,548
Equities	203,548	-
Fixed income	<u>178,571</u>	<u>-</u>
Total assets	412,451	<u><u>\$ 1,602,685</u></u>
Liabilities		
Deposits	-	\$ 134,182
Due to other governmental units	-	727,935
Tax collections distributable	<u>-</u>	<u>740,568</u>
Total liabilities	<u>-</u>	<u><u>\$ 1,602,685</u></u>
Net Assets - Held in trust for retiree health care	<u><u>\$ 412,451</u></u>	

Charter Township of Milford

Fiduciary Funds Statement of Changes in Net Assets Retiree Health Care Fund Year Ended December 31, 2007

	Retiree Health Care Fund
	<hr/>
Additions	
Employer contributions	\$ 150,000
Investment income	<hr/> 20,561
Total additions	170,561
Net Assets Held in Trust for Retiree Health Care	
Beginning of year	<hr/> 241,890
End of year	<hr/> <hr/> \$ 412,451

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Milford (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Milford:

Reporting Entity

The Charter Township of Milford is governed by an elected seven-member board of trustees. The accompanying financial statements present the financial operations of the Township. The cash and investments of the Charter Township of Milford Library are recorded in an Agency Fund.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Fire Voted Millage Operations Fund - The Fire Voted Millage Operations Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.

Debt Service Fund - The Debt Service Fund accounts for the proceeds of a property tax levy that are earmarked for debt service on the Library and Police Facility Bonds.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the issuance of debt to be used for the construction of a water distribution and sewer system as well as the operations provided to residents.

Additionally, the Township reports the following fund types:

Retiree Health Care Fund - The Retiree Health Care Fund accounts for resources accumulated for other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2006 ad valorem tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled \$950,803,470, on which ad valorem taxes levied consisted of 1.0735 mills for operating purposes, 3.0417 mills for police services, .9396 mills for fire service, .6597 mills for debt service, .1250 mills for operation of the senior center, and .1000 mills for recreation trails. This resulted in approximately \$1,018,000 for operating, \$2,885,000 for police services, \$891,000 for fire service, \$626,000 for debt service, \$115,000 for senior center, and \$95,000 for recreation trails. Amounts for operating and police services are recognized in the General Fund financial statements as tax revenue and amounts for fire service and debt service are recognized in the respective Special Revenue and Debt Service Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Restricted Assets - Unspent bond proceeds of the Water and Sewer Fund are required to be set aside for construction.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, approximately \$169,000 of interest incurred, net of related interest income, was capitalized as part of the cost of assets under construction.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Library building and contents	16 years
Computer equipment	5 to 7 years
Machinery and equipment	10 years
Vehicles	7 to 15 years
Furniture and fixtures	20 years
Recreation paths	15 years
Sewer lines	50 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation pay benefits if the time is not used within a year following the date of their anniversary. There is no liability for unpaid sick pay since the Township does not have a policy to pay any amounts when employees separate from service with the Township. A liability is reported when incurred in the government-wide financial statements and the proprietary fund financial statements for unpaid vacation pay. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts and issuance costs are reported as other financing uses.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity for the fiscal year ending December 31, 2007 is as follows:

Shortfall at January 1, 2007		\$	(252,077)
Building permit revenue			213,899
Related expenses:			
Direct costs	\$	301,251	
Estimated indirect costs		<u>49,216</u>	<u>350,467</u>
Current year shortfall			<u>(136,568)</u>
Cumulative shortfall at December 31, 2007		\$	<u><u>(388,645)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

The Township has designated 11 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all state statutory authority investments as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,433,107 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 252,392	Aaa	Moody's
Fixed income securities	132,861	AAA	S & P
Fixed income securities	45,710	AA	S & P
Bank investment pool	4,951,569	Not rated	N/A
Interlocal agreement pools	2,654,910	Not rated	N/A

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental
	Unavailable	Unearned	Total	Activities
Property taxes levied for 2008 operations	\$ -	\$ 6,596,390	\$ 6,596,390	\$ 6,596,390
Grant revenue	-	75,000	75,000	75,000
Special assessments	42,185	-	42,185	-
Total	\$ 42,185	\$ 6,671,390	\$ 6,713,575	\$ 6,671,390

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Governmental Activities				
Capital assets not being depreciated - Land	\$ 4,534	\$ 2,500	\$ -	\$ 7,034
Capital assets being depreciated:				
Buildings and improvements	3,928,707	-	-	3,928,707
Library building and contents	6,842,820	-	-	6,842,820
Computer equipment	204,562	31,665	111,711	124,516
Machinery and equipment	517,611	187,408	170,283	534,736
Vehicles	1,633,251	5,134	-	1,638,385
Furniture and fixtures	167,845	1,362	-	169,207
Recreation paths	155,000	-	-	155,000
Subtotal	13,449,796	225,569	281,994	13,393,371
Accumulated depreciation:				
Buildings and improvements	1,522,233	165,246	-	1,687,479
Library building and contents	1,710,704	427,676	-	2,138,380
Computer equipment	170,720	18,036	111,711	77,045
Machinery and equipment	348,890	51,850	170,283	230,457
Vehicles	1,019,009	96,346	-	1,115,355
Furniture and fixtures	95,262	9,280	-	104,542
Recreation paths	41,333	10,333	-	51,666
Subtotal	4,908,151	778,767	281,994	5,404,924
Net capital assets being depreciated	8,541,645	(553,198)	-	7,988,447
Net capital assets	\$ 8,546,179	\$ (550,698)	\$ -	\$ 7,995,481

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Capital assets not being depreciated - Construction in progress	\$ 6,883,968	\$ 291,512	\$ 6,826,535	\$ 348,945
Capital assets being depreciated - Sewer lines	-	8,692,453	-	8,692,453
Accumulated depreciation - Sewer lines	-	28,975	-	28,975
Net capital assets being depreciated	-	8,663,478	-	8,663,478
Net capital assets	<u>\$ 6,883,968</u>	<u>\$ 8,954,990</u>	<u>\$ 6,826,535</u>	<u>\$ 9,012,423</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 62,003
Public safety	273,361
Recreation and culture	<u>443,403</u>

Total governmental activities	<u>\$ 778,767</u>
-------------------------------	-------------------

Construction Commitments - The Township has no significant construction contracts at year end.

Note 6 - Interfund Receivables and Payables

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 178,687
Other governmental funds	General Fund	<u>22,620</u>
Total		<u>\$ 201,307</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Library and Police Facility:							
Amount of issue: \$8,100,000	5.00% -	\$100,000 -	\$ 1,435,000	\$ -	\$ 330,000	\$ 1,105,000	\$ 350,000
Maturing through 2010	5.25%	\$390,000					
Library and Police Facility Refunding:							
Amount of issue: \$5,490,000	3.50% -	\$35,000 -					
Maturing through 2020	4.00%	\$635,000	5,490,000	-	35,000	5,455,000	35,000
Special assessment bonds -							
Annie Lang Road improvements:							
Amount of issue: \$175,000	4.40% -	\$15,000 -					
Maturing through 2014	5.75%	\$20,000	155,000	-	20,000	135,000	20,000
Total bond obligations			7,080,000	-	385,000	6,695,000	405,000
Compensated absences			-	21,709	-	21,709	21,709
Total governmental activities			<u>\$ 7,080,000</u>	<u>\$ 21,709</u>	<u>\$ 385,000</u>	<u>\$ 6,716,709</u>	<u>\$ 426,709</u>
Business-type Activities							
General obligation bonds -							
SEMWI Limited Tax Note:							
Amount of issue: \$600,000	4.50%	\$600,000	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ -
Maturing through 2007							
Special assessment bonds -							
SEMIS Sewer Limited Tax Note:							
Amount of issue: \$7,900,000	3.50% -	\$400,000 -					
Maturing through 2025	4.125%	\$425,000	7,900,000	-	400,000	7,500,000	400,000
Total business-type activities			<u>\$ 8,500,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 7,500,000</u>	<u>\$ 400,000</u>

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 405,000	\$ 268,818	\$ 673,818	\$ 400,000	\$ 291,125	\$ 691,125
2009	420,000	348,838	768,838	400,000	277,125	677,125
2010	445,000	227,788	672,788	400,000	263,125	663,125
2011	465,000	208,081	673,081	400,000	249,125	649,125
2012	480,000	189,775	669,775	400,000	235,125	635,125
2013-2017	2,645,000	639,445	3,284,445	2,100,000	943,625	3,043,625
2018-2022	1,835,000	111,900	1,946,900	2,125,000	520,625	2,645,625
2023-2025	-	-	-	1,275,000	105,188	1,380,188
Total	<u>\$ 6,695,000</u>	<u>\$ 1,994,645</u>	<u>\$ 8,689,645</u>	<u>\$ 7,500,000</u>	<u>\$ 2,885,063</u>	<u>\$ 10,385,063</u>

Note 8 - Restricted Assets

The balance of the restricted asset accounts is as follows:

	Business-type Activities - Water and Sewer Fund
Unspent bond proceeds and related interest	<u>\$ 107,025</u>

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation. The Township has purchased commercial insurance for medical and dental claims, participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation, and is uninsured for unemployment compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 10 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees and firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Township employees are eligible to participate upon completion of six months of employment and firefighters are eligible upon hiring date. As established by the Township board, the Township contributes an amount equal to 15 percent of the Township employee's base salary each month. The Township also contributes an amount equal to 15 percent of the firefighter's salary based on eligible hours. All participating employees shall have their benefits vested at the rate of 25 percent after one year of completed service and 25 percent for each additional year of completed service until 100 percent vested. In accordance with these requirements, the Township contributed approximately \$110,000 during the current year.

Note 11 - Joint Ventures

The Township is a member of the Western Oakland County Cable Commission Authority (the "Authority"), which provides cable services to the residents of the Villages of Milford and Wolverine Lake, the Townships of Commerce, Highland, Lyon, Milford, and White Lake, and the cities of Walled Lake and Wixom. The Authority receives a management fee from the cable television company and currently does not receive a subsidy from the Township. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The investment in the Authority of \$45,737 is recorded in the statement of net assets.

Note 12 - Contingent Liabilities

In the normal course of its activities, the Township is involved in a variety of issues which lend themselves to potential legal exposure. The estimated liability associated with these issues, if any, cannot be determined; therefore, no liability has been recorded.

Charter Township of Milford

Notes to Financial Statements December 31, 2007

Note 13 - Other Postemployment Benefits

The Township provides healthcare benefits to all employees who retire after at least 20 years of continuous full-time service and who have attained at least the age of 55 in accordance with the Township's *Personnel Policy and Procedures Manual*. The Township includes pre-Medicare retirees and their spouses in its insured healthcare plan, with no contribution required by the participant. Once the retiree is entitled to Medicare coverage, the Township shall provide the difference in coverage between coverages provided by Medicare and the retired employee's Township-provided insurance coverage. The Township also provides healthcare benefits to all employees who retire after at least 10 years of continuous full-time service and who have attained at least the age of 62. For every year of employment with the Township, the Township will contribute \$15.60 toward the employee's monthly health insurance and \$15.60 toward the spouse's monthly health insurance. The retired employee and spouse must apply for Medicare when eligible. Currently, two retirees are eligible for healthcare benefits. Expenditures for postemployment healthcare benefits approximated \$22,500 for the current year.

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 14 - Designated Fund Balance

The fund balances of the General Fund and Fire Voted Millage Operations Fund have been designated for the following purposes:

	General Fund	Fire Voted Millage Operations Fund
Landfill reclamation	\$ 200,000	\$ -
Retiree health care	150,000	-
Capital projects	400,000	-
Subsequent year's expenditures	-	319,700
Fire station	-	400,000
Total	<u>\$ 750,000</u>	<u>\$ 719,700</u>

Required Supplemental Information

Charter Township of Milford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,160,822	\$ 1,160,822	\$ 1,142,096	\$ (18,726)
Police millage	2,975,318	2,975,318	2,812,796	(162,522)
Licenses and permits	165,700	165,700	218,961	53,261
Federal sources	20,000	20,000	11,268	(8,732)
State sources	594,450	594,450	601,278	6,828
Charges for services	46,650	46,650	42,996	(3,654)
Investment earnings	30,000	30,000	123,662	93,662
Other	69,000	69,000	118,277	49,277
Total revenue	5,061,940	5,061,940	5,071,334	9,394
Expenditures				
General government:				
Legislative	15,060	15,512	9,581	5,931
Executive	134,386	189,851	189,748	103
Administration	849,048	901,001	708,714	192,287
Total general government	998,494	1,106,364	908,043	198,321
Public safety:				
Police protection	2,940,382	3,020,272	2,972,560	47,712
Building department	215,389	256,921	231,068	25,853
Total public safety	3,155,771	3,277,193	3,203,628	73,565
Public works	93,872	184,065	93,872	90,193
Community and economic development:				
Economic opportunities	28,600	28,600	24,115	4,485
Planning	160,980	153,056	114,812	38,244
Community development block grant	20,000	20,000	6,194	13,806
Total community and economic development	209,580	201,656	145,121	56,535
Recreation and culture	29,280	29,321	18,829	10,492
Capital outlay	26,900	26,900	14,208	12,692
Other	591,551	430,031	367,632	62,399
Total expenditures	5,105,448	5,255,530	4,751,333	504,197
Excess of Revenue Over (Under) Expenditures	(43,508)	(193,590)	320,001	513,591
Fund Balance - Beginning of year	1,148,167	1,148,167	1,148,167	-
Fund Balance - End of year	<u>\$ 1,104,659</u>	<u>\$ 954,577</u>	<u>\$ 1,468,168</u>	<u>\$ 513,591</u>

Charter Township of Milford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Year Ended December 31, 2007

	Fire Voted Millage Operations			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Property taxes	\$ 917,095	\$ 917,095	\$ 916,151	\$ (944)
Charges for services	50,000	50,000	67,600	17,600
Investment earnings	25,000	25,000	98,445	73,445
Total revenue	992,095	992,095	1,082,196	90,101
Expenditures				
Capital outlay	186,350	184,350	202,509	(18,159)
Public safety	846,128	855,128	679,551	175,577
Total expenditures	1,032,478	1,039,478	882,060	157,418
Excess of Revenue Over (Under) Expenditures	(40,383)	(47,383)	200,136	247,519
Fund Balance - Beginning of year	1,355,202	1,355,202	1,355,202	-
Fund Balance - End of year	<u>\$ 1,314,819</u>	<u>\$ 1,307,819</u>	<u>\$ 1,555,338</u>	<u>\$ 247,519</u>

Charter Township of Milford

Note to Required Supplemental Information December 31, 2007

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. All annual appropriations lapse at fiscal year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and Major Special Revenue Fund budget as adopted by the Township board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budget as adopted by the Township board is available at the clerk's office for inspection.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township did not have significant budget variances.

Other Supplemental Information

Charter Township of Milford

	Nonmajor Special Revenue Funds			
	Refuse Collection	Senior Citizens	Cemetery Improvement	Road
Assets				
Cash and investments	\$ 342,493	\$ 195,452	\$ 127,409	\$ 570,778
Receivables:				
Taxes receivable	204,376	66,142	-	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 546,869</u>	<u>\$ 261,594</u>	<u>\$ 127,409</u>	<u>\$ 570,778</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 671	\$ -	\$ -
Deferred revenue	<u>440,250</u>	<u>123,176</u>	<u>-</u>	<u>75,000</u>
Total liabilities	440,250	123,847	-	75,000
Fund Balances - Unreserved	<u>106,619</u>	<u>137,747</u>	<u>127,409</u>	<u>495,778</u>
Total liabilities and fund balances	<u>\$ 546,869</u>	<u>\$ 261,594</u>	<u>\$ 127,409</u>	<u>\$ 570,778</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Annie Lang	Land Acquisition	
\$ 46,185	\$ 519,552	\$ 1,801,869
-	-	270,518
60,031	-	60,031
22,620	-	22,620
<u>\$ 128,836</u>	<u>\$ 519,552</u>	<u>\$ 2,155,038</u>
\$ -	\$ -	\$ 671
42,185	-	680,611
42,185	-	681,282
86,651	519,552	1,473,756
<u>\$ 128,836</u>	<u>\$ 519,552</u>	<u>\$ 2,155,038</u>

Charter Township of Milford

	Nonmajor Special Revenue Funds			
	Refuse Collection	Senior Citizens	Cemetery Improvement	Road
Revenue				
Property taxes	\$ -	\$ 117,735	\$ -	\$ -
Charges for services	-	54,660	-	-
Special assessments	-	-	-	-
Rubbish billings	438,240	-	-	-
Investment earnings	15,558	8,397	9,416	32,457
Other	-	9,806	29,810	9,373
Total revenue	453,798	190,598	39,226	41,830
Expenditures				
General government	-	-	67,890	-
Public works	565,364	-	-	111,503
Community and economic development	-	141,074	-	-
Capital outlay	-	-	827	-
Debt service	-	-	-	-
Total expenditures	565,364	141,074	68,717	111,503
Net Change in Fund Balances	(111,566)	49,524	(29,491)	(69,673)
Fund Balances - Beginning of year	218,185	88,223	156,900	565,451
Fund Balances - End of year	<u>\$ 106,619</u>	<u>\$ 137,747</u>	<u>\$ 127,409</u>	<u>\$ 495,778</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2007

Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Annie Lang	Land Acquisition	
\$ -	\$ -	\$ 117,735
-	-	54,660
42,800	-	42,800
-	-	438,240
3,159	27,866	96,853
-	-	48,989
45,959	27,866	799,277
-	-	67,890
-	-	676,867
-	-	141,074
-	-	827
28,048	-	28,048
28,048	-	914,706
17,911	27,866	(115,429)
68,740	491,686	1,589,185
<u>\$ 86,651</u>	<u>\$ 519,552</u>	<u>\$ 1,473,756</u>

Charter Township of Milford

Supplemental Information Combining Balance Sheet - Agency Funds Fiduciary Funds December 31, 2007

	Agency Funds			
	Tax Collections	Trust and Agency	Library	Totals
Assets				
Cash and cash equivalents	\$ 52,545	\$ 134,182	\$ 646,410	\$ 833,137
Investments - Bank investment pool	<u>688,023</u>	<u>-</u>	<u>81,525</u>	<u>769,548</u>
Total assets	<u>\$ 740,568</u>	<u>\$ 134,182</u>	<u>\$ 727,935</u>	<u>\$ 1,602,685</u>
Liabilities				
Deposits	\$ -	\$ 134,182	\$ -	\$ 134,182
Due to other governmental units	-	-	727,935	727,935
Tax collections distributable	<u>740,568</u>	<u>-</u>	<u>-</u>	<u>740,568</u>
Total liabilities	<u>\$ 740,568</u>	<u>\$ 134,182</u>	<u>\$ 727,935</u>	<u>\$ 1,602,685</u>

Charter Township of Milford

**Report to the Township Board
December 31, 2007**



Plante & Moran, PLLC
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To the Township Board
Charter Township of Milford

We have recently completed our audit of the basic financial statements of the Charter Township of Milford (the "Township") for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Township:

	<u>Page</u>
Report on Internal Control	3-4
Required Audit Communication of Significant Findings	5-7
Summaries of Unrecorded Possible Adjustments	8

We are grateful for the opportunity to be of service to the Charter Township of Milford. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

February 5, 2008

February 5, 2008

To the Township Board
Charter Township of Milford

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Township, as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following control deficiency to be a significant deficiency in internal control over financial reporting.

February 5, 2008

Accrual Adjustments

During the audit, we generally provide assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records (accounts payable, property tax and other receivables, capital assets, long-term debt, employee compensated absences, special assessment revenue recognition, etc.). The Township's chief accountant continues to improve her understanding of these entries and has been able to post several of them. We feel that with more experience and exposure to these entries, these will eventually all be completed by the chief accountant. In the mean time, we are pleased to assist in this process - our auditors have expertise in accrual adjustments and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the deficiency described above is not a material weakness.

This communication is intended solely for the information and use of management, the board of trustees, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver



Monika M. Lesinski

February 5, 2008

To the Township Board
Charter Township of Milford

We have audited the financial statements of the Charter Township of Milford for the year ended December 31, 2007 and have issued our report thereon dated February 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 24, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal controls of the Charter Township of Milford. Our consideration of internal controls was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 24, 2007.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Milford are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

We noted no transactions entered into by the Charter Township of Milford during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustments to deferred revenue and accounts receivable for property taxes
- Adjustment to tax collection fund to record transactions

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated February 5, 2008.

February 5, 2008

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of the Township board and management of Charter Township of Milford and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Leslie J. Pulver". The signature is written in a cursive style with a large initial 'L'.

Leslie J. Pulver

A handwritten signature in black ink that reads "Monika M. Lesinski". The signature is written in a cursive style with a large initial 'M'.

Monika M. Lesinski

Client: **Milford Township**
 Opinion Unit **Governmental Activities**
 Y/E: **12/31/2007**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

		Increases (Decreases)				
Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenses
Known Misstatements:						
A1	To record capital asset additions that were expensed during the year and not added to the addition list.					
A2		18,697				(18,697)
Estimate Adjustments:						
B1						
B2						
Implied Adjustments:						
C1						
C2						
		-	-	-	-	-
	Combined Effect	18,697	-	-	-	(18,697)